Ionic Energy Inc. 1997 Annual Report

Ionic

ANNUAL MEETING

You are cordially invited to attend the Special and Annual Meeting of Shareholders of Ionic Energy Inc. which will be held on Tuesday, June 2, 1997 in the Viking Room of the Calgary Petroleum Club, 319 - 5th Avenue, SW, Calgary, Alberta at 3:30 p.m.

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Ionic Energy Inc. is a Calgary, Alberta based oil and natural gas exploration, development, and production company focusing operations within West Central Alberta. Incorporated on June 27, 1997, Ionic commenced commercial operations on August 1, 1997.

At the end of 1997, Ionic's reserves, on a proven plus probable basis, totaled 3.1 million barrels of oil equivalent, and production averaged 565 barrels of oil equivalent per day. Natural gas comprises over seventy percent of both production and reserves. The Company holds Crown leases, freehold leases and options on 189,000 net acres of undeveloped lands in western Canada.

On January 1, 1998, Ionic Ventures Inc. ("Ventures"), a Junior Capital Pool Company completed its major transaction through the acquisition, by way of a reverse take-over, of all of the issued and outstanding shares of Ionic Energy Inc. Subsequently, Ventures and Ionic Energy Inc. were amalgamated, and continue the name and operations of Ionic Energy Inc. The common shares of the Company trade on the Alberta Stock Exchange under the symbol IOI. Our corporate mandate is to achieve growth through a combination of successful exploratory drilling, developmental exploitation and strategic acquisitions.

HIGHLIGHTS

For the five months ended December 31, 1997

FINANCIAL	
Oil and gas revenues before royalties	$ 1,712,852
Cash flow from operations	$ 764,288
Per share - basic	$ 0.08
Net earnings	$ 175,702
Per share - basic	$ 0.02
Capital expenditures	$ 11,621,773
Total assets	$ 14,760,135
Long term debt	$ Nil
Basic number of shares outstanding	
Weighted average	9,482,548
Total	13,955,487
Post amalgamation *(98/01/01)*	15,001,487
Fully diluted number of shares outstanding	
Weighted average	10,041,548
Total	15,370,487
Post amalgamation *(98/01/01)*	16,416,487
OPERATING	
Natural gas production	
Total *(mcf)*	657,532
Daily *(mcf/d)*	4,298
Price *($/mcf)*	1.92
Crude oil and natural gas liquids production	
Total *(bbls)*	20,684
Daily *(bbls/d)*	135
Price *($/bbl)*	21.90
Barrels equivalent production *(10:1)*	565
Natural gas reserves *(mmcf)*	
Proved	19,516
Probable	4,095
Total	23,611
Crude oil and natural gas liquids reserves *(mstb)*	
Proved	537
Probable	178
Total	715
Barrels equivalent reserves, proven & probable, unrisked (mboe)	3,076
Present value of future cash flow on proved plus probable reserves, before income taxes, with ARTC, discounted at 15 percent	
Proved	$ 15,569,000
Probable	$ 4,155,000
Total	$ 19,724,000

It is with great enthusiasm and pleasure that Ionic presents its first annual report to shareholders. Grown out of a vision to build a premier Western Canadian exploration and development company, the mandate for Ionic Energy Inc. will be achieved through the focused and methodical implementation of our growth strategy. From inception in June 1997, the Company's focus has been to add shareholder value by building a financially strong, technically competent, and well managed exploration and development company which concentrates operations in West Central Alberta. We have met our 1997 objectives to complete our corporate organization and to position the company for substantial growth in 1998. We now have the financial resources, the land and opportunity inventory, and a skilled and motivated staff to move to the next step.

Whereas 1997 was a year of strategic positioning, 1998 will be a year during which Ionic capitalizes on its growth strategy and exceeds its first threshold of 1,000 boe/d. By exceeding this threshold, we look forward to generating greater industry and equity market recognition, thereby providing greater liquidity for our shareholders and enabling Ionic greater access to equity markets. In our quest for growth, we will ensure that this is not achieved for the sake of growth alone but that value is continually added. We aim for a doubling of the Company's size in 1998 and again in 1999. We are focused on breaking 2,500 boe/d by the millenium.

Ionic is unique for a new exploration and development company in that it has a land base and opportunity inventory that rival numerous intermediates. Acquiring the land base was the first strategic building block; we assembled this in 1997 via the Enerplus farm-in agreement. Our opportunity inventory was developed through an exhaustive review by our exploration team of our lands and seismic database. By year end 1997 we had over six months of drilling inventory. This inventory will allow Ionic to prioritize opportunities such that only projects adding full cycle value will be pursued. Maintaining and enhancing this inventory will be key to our success. With 8 (5.9 net) wells under our belt to date this year, we are well on our way to drilling our forecasted 25 (12.1 net) wells for 1998. We will concentrate on those plays and in those areas where our team has the greatest experience base. Paramount to our growth strategy is the requirement that a minimum of seventy percent of our capital program be focused on full cycle exploration and development. We intend on actively pursuing growth through the drill bit.

Growth will also come from strategic acquisitions. In 1997, we purchased at attractive prices the Canadian assets of Profco Resources Ltd. and an operated gas property within our core exploration and operating area. Both transactions were internally identified thus allowing us to negotiate one-on-one on the assets. Ionic has added significant value to these assets through innovative exploitation and aggressive management. These transactions provided the cash flow and production base that enabled Ionic to establish its exploration program. Ionic will only attempt to purchase assets that we believe can be economically enhanced by our technical team. These acquisitions will be within our core area, thereby providing economies of scale to our operations and maintaining our focus. Asset acquisitions of sizeable magnitude may establish a new core operating area.

We are optimistic the current industry environment should lend itself well to asset and possibly corporate transactions in 1998. Ionic will be a value player - evaluating all opportunities based on their ability to enhance our performance.

We have established aggressive yet attainable targets for 1998. Each staff member of Ionic is focused on these targets and the role he or she must play in ensuring our success.

Ionic is well positioned for substantial growth over the next few years. Our leverage toward natural gas will enhance our profitability during the current low oil price environment. Key to our success will be the continued dedicated efforts of our staff and our Board of Directors. It is with great respect that I lead this group of professionals in meeting and exceeding our high expectations.

On behalf of the Directors and Staff

James M. Saunders, P. Eng.
President & Chief Executive Officer
March 31, 1998

Nineteen ninety seven was a pivotal period of positioning. The Company defined and implemented a strategy for growth providing a foundation for years to come. We established our initial area of focus, West Central Alberta. We have brought together a strong team of management and professionals, all proven company builders, experienced in the generation of both exploration prospects and acquisition opportunities. We respond quickly to opportunities and are capable of meeting ambitious goals in our dedication to adding significant value for our shareholders.

HIGHLIGHTS OF 1997:

- *In July, the Company contracted the exclusive right to explore on a significant block of the Enerplus Group of Companies' undeveloped central Alberta lands. A $2.3 million farm-in provided 150,000 net acres accompanied by approximately 15,000 kilometers of seismic, creating a significant land base for exploration.*
- *In August, all of the Canadian oil and gas properties of Profco Resources Ltd. were purchased for $5.4 million.*
- *In August, these acquisitions were funded by a $6.9 million private placement of Special Warrants "A".*
- *In September, Vega, an operated gas property located within our core area was purchased for $1.7 million.*
- *In October, $6.0 million was raised in the private placement of Special Warrants "B".*
- *In January 1998 the reverse takeover by Ionic Ventures Inc. and subsequent amalgamation created Ionic Energy Inc as it is today.*

During 1997, the Company completed three significant transactions: the acquisition of all of the Canadian oil and natural gas assets of Profco Resources Ltd., the purchase of Vega, an operated natural gas property, and a farm-in on 150,000 net undeveloped acres of Enerplus land.

Effective July 1, 1997 the Company purchased all of the Canadian oil and natural gas assets of Profco Resources Ltd. for $5.4 million. These properties are primarily located within our West Central Alberta core area. The acquisition provided producing properties with subsequent enhancement opportunities. Additional potential in these assets lay in the fact that their former owners had focused their attention on international exploration and had under-exploited the Canadian assets. Growth of these assets will come through continued development and exploitation combined with the acquisition, where possible, of adjacent lands and partners' interests.

As of July 1, 1997 an operated natural gas property at Vega was purchased for $1.7 million. This property lies in an active multi-zone exploration area. The Company has and will continue to enhance operations through drilling, production and facility optimization and custom processing.

Ionic has emerged from 1997 as an exploration driven enterprise supported by a significant undeveloped land inventory with extensive seismic coverage. Targeting the achievement of growth primarily through the drilling and development of new oil and natural gas reserves within our West Central Alberta core area, we have the capabilities to create a steady stream of projects for continued exploitation and development. We have already generated a significant drilling prospect inventory.

Only five months of operations are reflected in our 1997 results. The full impact of these acquisitions and commencement of our exploration program will be enjoyed as we explore the considerable land base and reap the benefits for years to come. 1998 promises to be exciting as our exploration prospects developed by our new team are tested. Refinement of our strategies will continue.

PROPERTY REVIEW

The exploration and development cycle for a new core area takes between two and five years from initial concept to full exploitation. Our strategy is to ensure that as a project becomes fully exploited, new projects in earlier phases of the cycle are coming up behind to ensure continued growth. In response, in 1998 our team will be assembling land and seismic towards the creation of a new core area.

WEST CENTRAL ALBERTA CORE AREA

Ionic has positioned itself in West Central Alberta to capitalize on the multi-zone liquids-rich gas nature of its reservoirs. The region offers diverse drilling depths and typically longer life reserves than other areas of the western Canadian sedimentary basin. The vast majority of the region is accessible year round, ensuring reasonable time frames from drilling to commencement of cash flow. Existing infrastructure and gas transmission systems further enhance Ionic's ability to fast track cash flow additions from our discoveries. Most important in our decision to base our operations initially in West Central Alberta is our team's experience base. Most of our staff have spent their careers finding, producing, and optimizing reservoirs in this region.

LAND HOLDINGS

A fundamental cornerstone of Ionic's operational strength is control of a large block of strategically located undeveloped land, providing the basis for prospect generation to fuel future growth. In addition, the Company continues to build its land portfolio at Crown land sales and through industry acquisitions. At December 31, 1997 in excess of 180,000 net acres of undeveloped land was controlled by the Company.

UNDEVELOPED LAND SUMMARY

(Acres)	Gross	Net
Leasehold and freehold interests		
Alberta	62,826	33,400
B.C. and Saskatchewan	1,265	706
	64,091	34,106
Land under option	296,400	154,800
Total	360,491	188,906

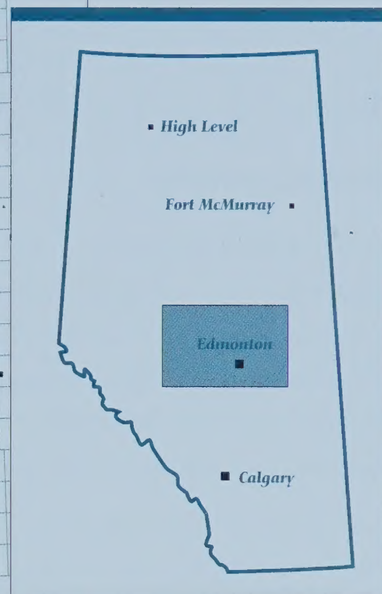
THE ENERPLUS FARM-IN

The Enerplus farm-in lands are located over the area of township 45 range 15 W4M to township 65 range 15 W5M, providing a checkerboard coverage of the area with an average working interest of sixty-seven percent. The Company paid $15 per net acre to gain exclusive access to the lands and an extensive seismic database. The $2.3 million consideration was funded half by cash and half by the issuance of Special Warrants "A".

This farm-in area is gas and oil prone with multi zone potential in the Belly River, Cardium, Viking, Glauconite, Ostracod, Gething, Jurassic, Mississippian and Devonian formations. The majority of the lands lie in an active exploration area from Westlock and Redwater (to the east) to Cherhill and Bigoray (to the west). This general area has enjoyed many recent oil and natural gas discoveries by industry competitors. The farm-in area is covered primarily by North Western Utilities and Canadian Utilities Gas natural gas transmission systems, and existing plant and pipeline infrastructure interconnecting with these transporters is prevalent throughout the area.

The Company had a commitment to shoot, acquire, or reprocess $500,000 of seismic data over a portion of the lands within the first six months of the agreement. The Company further committed to spud two exploration wells within sixty days of completion of the seismic program. The farm-in then continues under a rolling option whereby the Company must commit to spud additional wells within ninety days of rig release of previous commitment wells. Most of the lands have two and a half years remaining on their leases. For each well drilled, the Company will earn one hundred percent of Enerplus' working interest in that specific spacing unit and all adjacent spacing units. After ninety days of production from a well, Enerplus will have the option to acquire fifty percent of its pre-farmed out interest by reimbursing the Company for fifty percent of the Company's costs associated with drilling and completing the well, including associated facilities. One year from the date of the agreement, the Company must select and release twenty-five percent of the undeveloped farm-in lands from the agreement and return such lands to Enerplus.

To date, the seismic commitment has been met and seven wells have been drilled on the farm-in lands, yielding an overall success rate of seventy-one percent. Our drilling inventory on the option lands stands at ten wells on March 31, 1998. These wells and additional prospects will continue to be pursued in 1998. Based on our identified leads and extensive seismic coverage, Ionic believe at least two years of drilling will be generated from these lands.



EXPLORATION AND DEVELOPMENT STRATEGY

August 1997 was the beginning for the exploration team. Ionic started by hiring three full time explorationists. Geological and geophysical workstations were set up. By mid October the team was in place and fully operational.

The Profco and the Vega property acquisitions brought with them, in addition to cash flow, a significant number of lower risk development and exploitation opportunities. The Enerplus farm-in represented a huge exploration land and seismic data inventory - a unique opportunity that combined 150,000 net acres of land with 15,000 kilometres of seismic data covering the land and adjoining oil and gas pools. The land base in this multi zone area has recently been very active. Ionic is currently evaluating eleven projects where offset industry exploration wells adjacent to our farm-in lands have been cased as discoveries. Our seismic data base templates nearly every significant hydrocarbon discovery within the farm-in area and represents a data base which rivals that held by many intermediate oil companies. Estimates of the replacement cost range to over sixty million dollars. Ionic can compare geological concepts and geophysical models to proven commercial successes, resulting in lower risk exploration projects.

We strive to achieve a balanced program combining low risk development drilling and acquisitions with higher impact exploration projects. The exploration efforts are focused towards high working interest gas oriented plays. Our target is deeper reserves with greater productivity and a long life. The risk associated with these rank exploration efforts is carefully tempered by our development and acquisition activities.

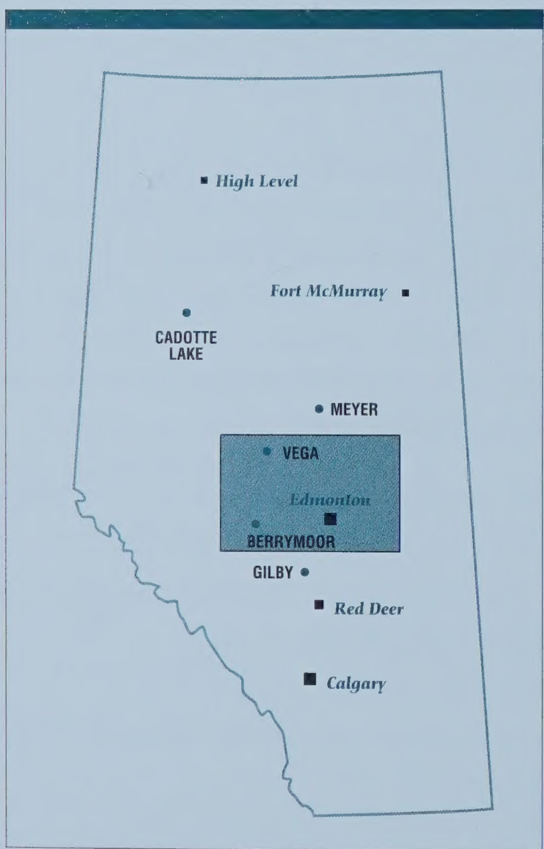
The key components of our exploration and development strategy are:

- *Control core production areas through owned and operated facilities*
- *Focus on multi zoned exploration projects*
- *Maintain high working interest projects*
- *Make acquisitions in core areas where operational or exploitation/ exploration upside exists*
- *Minimize the expenditure to cash flow time frame*
- *Manage risk through a blend of development drilling, key acquisitions in core areas and exploration with high impact*
- *Focus on gas projects but be opportunity driven*
- *Strive for $5.50 per boe finding and development costs*
- *Maintain internally generated prospect inventories using in-house state of the art geophysical and engineering technology*

To date, our exploration efforts have identified over sixty exploration leads. By the end of the first quarter in 1998, eleven wells have been drilled, sixteen seismic lines have been shot to mature twelve projects, and a thirty-five well inventory awaits drilling. We are satisfied we are off to a very strong start.

PRODUCING PROPERTIES

In excess of eighty-five percent of Ionic's production is currently produced from our core operating area. A key to our success will be to focus our production and cash flow base within a geographic region that can be managed by a small group of individuals that fully understand the services and, more importantly, the competitors within the region.



Berrymoor

The Berrymoor property is located in the East Pembina area, approximately ninety kilometers southwest of Edmonton. The Company has an average thirty-seven percent working interest in 6,080 acres of land containing a Nordegg oil pool and an associated natural gas cap. Associated gathering, oil processing and natural gas processing facilities in which the company holds interests have historically been underutilized. The pool contains eleven million barrels of oil and was forecast to recover nine percent of its original oil in place until Ionic and partners implemented an optimization program in early 1998. This optimization program will include fracture stimulating five wells and drilling up to seven wells, thereby reducing well spacing to eighty acres from the current one hundred and sixty acres. To date in 1998, one successful infill well has been drilled and the property production has more than doubled from successful well stimulations. With the implementation of a waterflood planned for 1998, the pools recovery could more than double. Ionic produced an average of seventy-one boe/d of net oil and associated solution gas in 1997 from the property. The natural gas cap reserves are currently shut in. The Company anticipates producing these at a later date based on the completion of the oil development.

Cadotte Lake

The Cadotte property is located approximately 350 kilometers northwest of Edmonton. The Company has operatorship and an average sixty-one percent working interest in 4,160 acres of land and a ninety percent working interest in a shut in Shunda natural gas well. This gas well tested upon completion in 1994 at rates of 800 mcf/d. The Company plans to drill during the 1998/ 99 drilling program three natural gas wells on the property followed by the construction of a natural gas processing facility. The property is located ten kilometers from the closest Nova gas pipeline and shut in natural gas wells exist between the Company's property and the Nova system. The anticipated on-stream date for the property is the spring of 1999.

GILBY

The Gilby property is located approximately 115 kilometers southwest of Edmonton. The Company has an average twenty-nine percent working interest in 3,840 acres of land containing four natural gas and two oil producing wells. A fifth gas well remains to be tied in. Recent compression installation and the subsequent rerouting of production to the Gulf Rimbey deep cut facility plant have enhanced gas production rates and NGL yields. Net production rates for 1997 averaged 197 boe/d from the Basal Quartz, Ostracod, Nordegg, and Pekisko formations.

VEGA

The Vega property is located approximately 100 kilometers north-west of Edmonton. The property covers 16,000 gross acres of land, of which 8,960 acres remain undeveloped as at year end, and include three one hundred percent working interest and one fifty percent working interest producing natural gas wells. Production net to the Company in 1997 was is 1,716 mcf/d from the Viking and Basal Quartz formations. The Company owns a one hundred percent working interest in a 4,000 mcf/d capacity natural gas compression and processing facility currently handling 3,000 mcf/d. In 1998, the Company intends to further delineate these lands through seismic, potentially followed by the drilling of two to four wells.

MINOR PROPERTIES

The Company has various interests in other producing properties at Meyer, Highvale, Garrington, Calmette and Buck Lake. These assets offer stable cash flow with some minor optimization opportunities.

PRODUCTION

We are a gas-weighted producer, reflecting our conviction of the long term strategic value of Canadian natural gas. Production during the final five months of 1997 was weighted seventy percent gas, thirty percent oil. All of our current liquid production comprises light and medium gravity oil and natural gas liquids. Our profile helps protect us from cyclical price swings in crude oil prices.

PRODUCTION PROFILE
1997 FIVE MONTHS OF OPERATIONS

	Oil & NGL's (bbls/d)	*Natural gas* (mcf/d)	*BOE* (boe/d)	*%* Total
Berrymoor	52	189	71	13
Gilby	64	1,325	197	35
Meyer	–	1,047	105	19
Vega	–	1,716	172	30
Minor properties	19	21	20	3
Total	135	4,298	565	100

MARKETING

Ionic currently markets its natural gas through one aggregator and a number of Calgary based brokers. Approximately twenty percent of our current production of 5,450 mcf/d is marketed to Pan Alberta under a net back arrangement based on NYMEX pricing. Ionic has fixed approximately twenty-five percent of its current production until November 1998 at $1.77 per mcf, with the remainder of the production being sold at spot prices. With the majority of our production being gas and undedicated to market, Ionic is well positioned to take advantage of the forecasted upswing in gas prices. In the fall of 1998, we anticipate the access of Western Canadian producers to U.S. markets through new export pipeline capacity will serve to further strengthen prices.

Ionic utilizes the services and expertise of various independent liquid marketers to market its crude oil and natural gas liquids. This approach allows optimization of pricing based on purchasers' strategic positions on various pipelines.

OIL AND GAS RESERVES

Ionic's crude oil and gas reserves were evaluated by Outtrim Szabo Associates Ltd. effective December 31, 1997 (the "Outtrim Report"). Total proved plus probable reserves were 3,076 mboe at December 31, 1997. Proved reserves represented eighty-one percent of total reserves, and natural gas represented seventy-seven percent of proved reserves by volume.

Company Interest Reserves *(Before Royalty)*

	Gas	Oil	NGL's	Discounted 0%	10%	15%
	mmcf	stb	bbl	m$	m$	m$
Proved developed						
Producing	6,939	159,670	104,718	12,202	8,437	7,370
Non-producing	6,025	15,840	76,477	10,578	5,139	3,924
Proved undeveloped	6,552	134,716	45,909	11,804	5,646	4,275
Total proved	19,516	310,226	227,104	34,584	19,222	15,569
Probable additional	4,095	128,802	48,632	12,735	5,443	4,155
Total before risk	23,611	439,028	275,736	47,319	24,665	19,724
Reduction for risk (50%)	2,047	64,401	24,316	6,367	2,721	2,078
Total After Risk	21,564	374,627	251,420	40,952	21,944	17,646

Reconciliation of Oil and Gas Reserves

	Natural gas (mmcf)			Crude oil & NGL's (mstb)			Total (mboe)		
	Proved	Probable	Total	Proved	Probable	Total	Proved	Probable	Total
August 1, 1997	-	-	-	-	-	-	-	-	-
Discoveries & acquisitions	20,173	4,095	24,268	558	178	736	2,575	587	3,162
Production	(657)	-	(657)	(21)	-	(21)	(86)	-	(86)
Revisions	-	-	-	-	-	-	-	-	-
December 31, 1997	19,516	4,095	23,611	537	178	715	2,489	587	3,076

Reserve Life Index

The reserve life index is a measure of expected future production decline rates obtained by dividing year end reserves by production in the current period. Based on proven plus probable reserves and annualized production volumes, Ionic's reserve life index at the end of calendar 1997 was 14.8. With this long reserve life index, Ionic is positioned to receive significant upside from anticipated strengthening in natural gas demand and prices.

Reserve Life Index

Annualized total *(Years)*	Proved	Proved & probable
Natural gas	12.4	15.0
Crude oil and NGL's	10.8	14.4
BOE	12.0	14.8

FINDING AND DEVELOPMENT COSTS

Ionic's 1997 all-inclusive finding and development costs were $4.51 per proven boe, $4.05 per proven plus risked probable boe and $3.68 per proven plus probable boe. The 1997 property acquisition program contributed reserves at a cost of $4.33 per proved reserve boe or $3.93 per proved and risked probable boe. Reserve additions from exploration and development drilling and exploitation activity cost $5.59 per proven boe, or $4.72 per proven plus risked probable boe. The resulting total finding and development costs are well below most oil and gas industry competitors.

Ionic expects to enjoy comparatively lower reserve addition costs to many within the industry as the company continues to unlock the production and reserves contained on the large land base under option.

Finding and Development Costs

Five months ended December 31, 1997	
Total capital expenditures	$ 11,622,000
Proved basis	
Reserve additions *(mboe)*	2,575
Finding and development cost/boe	$ 4.51
Proved plus risked probable basis	
Reserve additions *(mboe)*	2,869
Finding and development cost/boe	$ 4.05
Proved plus probable basis	
Reserve additions *(mboe)*	3,162
Finding and development cost/boe	$ 3.68

RESERVE RECYCLE RATIO

Reserve recycle ratio is a measure of a company's efficiency both from a netback consideration and by providing a measure of how efficient the company deployed its discretionary cash flow. Ionic's 1997 ratios would rank in the top quartile of exploration and production companies.

Reserve Recycle Ratio *($/boe)*

Average field level cash netback	$ 11.43
Proved basis	$ 2.53
Proved plus risked probable basis	$ 2.82
Proved plus probable basis	$ 3.11

PRODUCTION REPLACEMENT RATIO

The production replacement ratio is a measurement of the multiple by which the current year's production has been replaced by current year's reserve additions before revisions. Our production replacement ratio was 12.4 based on proved reserve additions and 15.2 on full proved and probable reserves. We have taken the production from the five months of commercial operations in 1997 and annualized them for the purposes of this calculation.

Production Replacement Ratio

Annualized total *(Ratio)*	Proved	Proved & probable
Natural gas	12.8	15.4
Crude oil and natural gas liquids	11.2	14.8
BOE	12.4	15.2

The financial results for the Company are for the five months ending December 31, 1997 following commencement of commercial operation on August 1, 1997.

OIL AND GAS REVENUES:

Oil and gas revenues before royalties reached $1,712,852, of which seventy-four percent represent sales of natural gas. Production volumes of natural gas averaged 4,298 mcf/d and daily production rates for oil and natural gas liquids were 135 bbls/d for total daily production rates of 565 boe/d. Sales volumes during this period were from producing assets purchased during 1997 and from well production optimizations. By production volume, seventy-six percent of sales were from natural gas. Natural gas prices averaged $1.92 per mcf and crude oil and natural gas liquids averaged $21.90 per bbl.

GROSS REVENUE *($)*

	Total	/unit	%
Natural gas	1,259,910	1.92/mcf	74
Crude oil and NGL's	452,942	21.90/bbl	26
Total	1,712,852	19.82/boe	100

PRODUCTION

	Total	Daily	%
Natural gas *(mcf)*	657,532	4,298	76
Crude oil and NGL's *(bbls)*	20,684	135	24
Total *(boe)*	86,437	565	100

ROYALTIES:

Net royalties for the five month period were $332,893, after the recovery of $109,986 from the Alberta Royalty Tax Credit program. Total royalties include crown obligations of $309,593 and $133,286 for freehold and gross overriding royalties. Gross royalties averaged twenty-six percent of total gross revenue, decreasing to a net nineteen percent after ARTC. Overall, only forty-nine percent of the Company's crown royalties are eligible for ARTC. The drilling program planned for 1998 will result in production qualifying for ARTC.

Royalties represent a net reduction of the netback received by Ionic of $3.85 per boe.

Royalty Summary *($)*

	Total	/boe	% Sales
Crown royalties	309,593	3.58	18
Freehold	133,286	1.54	8
ARTC	(109,986)	(1.27)	(7)
Royalties, net of ARTC	332,893	3.85	19

Royalties by Product *($)*

	Total	/unit	% Sales
Natural gas	288,196	0.44/mcf	23
Crude oil and NGL's	44,697	2.16/bbl	10
Royalties, net of ARTC	332,893	3.85/boe	19

OPERATING EXPENSES:

Operating expenses for the period since the commencement of commercial operations were $391,945, or $4.54 per boe. On a commodity basis, natural gas operating costs for the period were $0.40 per mcf, while crude oil and natural gas liquid operating costs averaged $6.26 per bbl. Ionic expects that the strategic objective of acquiring high working interests in core areas combined with owning the processing infrastructures will help ensure these costs remain at a reasonable level over the long term.

Operating Costs by Product *($)*

	Total	/unit	%
Natural gas	262,534	0.40/mcf	67
Crude oil and NGL's	129,411	6.26/bbl	33
	391,945	4.54/boe	100

GENERAL AND ADMINISTRATIVE EXPENSES:

Net general and administrative costs were $150,035, or $1.74 per boe. Total general and administrative costs were $360,406 before overhead recoveries and the capitalization of indirect exploration overhead. The largest component of general and administrative expenses relate to staffing costs from the aggressive building of

the exploration department necessary to evaluate the undeveloped land inventory and generate drilling prospects. Ionic currently has eight full time employees on staff.

General and Administrative Costs *($)*

	Total	/boe
Total general and administrative costs	360,406	4.17
Capitalized	(184,814)	(2.14)
Recoveries	(25,557)	(0.29)
Net	150,035	1.74

INTEREST EXPENSE:

Ionic incurred interest expense of $66,070 from a promissory note issued and repaid in 1997 on the acquisition of assets from Profco.

NETBACKS:

The Company's overall netback for the five month period ending December 31, 1997 was $8.93 per boe., as described in the following table:

Netbacks *($)*

	Natural Gas /mcf	Crude Oil & NGL's /bbl	Total /boe)
Oil and gas revenues	1.92	21.90	19.82
Royalties, net	(0.44)	(2.16)	(3.85)
Operating costs	(0.40)	(6.26)	(4.54)
Field level cash flow	1.08	13.48	11.43
General and administrative			(1.74)
Interest			(0.76)
Netback			8.93

DEPLETION AND DEPRECIATION:

Depletion and depreciation expense of $460,586 was incurred during the five month period.

	$	$/boe
Depletion and depreciation	430,243	4.98
General depreciation	18,553	0.21
Site restoration and abandonment	11,790	0.14
Net	460,586	5.33

Costs in the amount of $3,865,130 with respect to undeveloped land have been excluded from the calculation of depletion. Estimated site restoration costs, which are to be expensed over the remaining proved reserves, are $434,737.

INCOME TAXES:

A provision for deferred income taxes was made for $128,000. This reflects a reduction from the expected tax rate due to the partial utilization of the small business deduction by Ionic during 1997. With the amalgamation effective January 1, 1998 of Ionic Energy Inc. with Ionic Ventures Inc., a public company, this benefit will not be enjoyed in future years. The deferred income tax liability on the balance sheet was reduced to a net balance of nil by recording the deferred income tax effect of the share issuance costs.

Income tax pools, at December 31, 1997 are estimated to be $10,807,000.

Income Tax Pools *($)*

Canadian exploration expense	708,000
Canadian development expense	165,000
Canadian oil and gas property expense	7,519,000
Undepreciated capital costs	2,115,000
Other	300,000
	10,807,000

INVESTMENTS IN OIL AND GAS PROPERTIES:

During the five month period ending December 31, 1997, the Company invested $11,621,773 in property, plant and equipment, of which $9,541,000 million was directed towards acquisition activities. The Company's capital expenditures were allocated:

	$
Acquisitions of producing properties and undeveloped land	9,541,000
Lease acquisitions	107,000
Seismic	296,000
Exploratory and development drilling	831,000
Production facilities and equipment	419,000
Head office expenditures	68,000
Indirect exploration overhead capitalized	360,000
Total	11,622,000

NET ASSET VALUE:

The net asset value calculation utilizes reserves from the Outtrim Report as at December 31, 1997, discounted at ten and fifteen percent before income taxes, risked fifty percent for probable reserves, and include the Alberta Royalty Tax Credit. Not included is any value for seismic. Under the Enerplus farmin alone, Ionic has access to 15,000 kilometers of seismic data. The commodity field gate pricing assumptions contained within the Outtrim Report for 1998 utilized $1.73 per mcf for natural gas, $24.24 per bbl for oil alone, and a weighted average price of $23.27 per bbl for oil and natural gas liquids. The W.T.I. (U.S. $) pricing utilized $20.20 per bbl for oil.

Net Asset Value *($, except per share)*

	Discounted @ 10%	Discounted @ 15%
Reserves	21,944,000	17,646,000
Value of undeveloped land	2,178,000	2,178,000
Value of optioned lands	1,718,000	1,718,000
Working capital	1,656,000	1,656,000
Net asset value Dec 31, 1997	27,496,000	23,198,000
Working capital Ionic Ventures Inc.	264,000	264,000
Net asset value Jan 1, 1998	27,760,000	23,462,000
Options Dec 31, 1997	1,415,000	1,415,000
Fully diluted net asset value Jan 1, 1998	29,175,000	24,877,000
Capital at year end (warrants & shares)	13,955,487	13,955,487
Net asset value per share issued and to be issued	1.97	1.66
Capital after amalgamation	15,001,487	15,001,487
Net asset value per share	1.85	1.56
Capital after amalgamation	16,416,487	16,416,487
Net asset value per share Fully diluted	1.78	1.52

CEILING TEST

A ceiling test was performed to ensure the costs the Company carries under the full cost accounting policy would be recovered from future revenues. Utilizing the Outtrim Report and constant prices and costs, a surplus of $2,925,000 was calculated to exist. This calculation utilized an oil price of $21.68 per bbl, a natural gas price of $1.66 per mcf, and a natural gas liquids price of $21.31 per bbl.

LIQUIDITY AND CAPITAL RESOURCES

The Company amalgamated January 1, 1998 pursuant to the Business Company's Act (Alberta) with Ionic Ventures Inc., a junior capital pool company listed on the Alberta Stock Exchange, to continue as Ionic Energy Inc. The predecessor, Ionic Energy Inc was incorporated in July 1997. Ionic Ventures was incorporated in January 1995 and had no significant assets or business.

The Company completed two private placements during 1997, both at $1.00 per special warrant. Special Warrants "A" raised $6.8 million and Special Warrants "B" raised $5.6 million net. Special Warrants "A" included 1,145,486 special warrants issued at $1.00 as partial consideration for a farm-in agreement with the Enerplus Group of Companies.

Ionic has put in place credit facilities with a Canadian chartered bank. At December 31, 1997 funds had not been advanced under this facility, now authorized up to $5.0 million. Borrowings are at prime plus one quarter percent. The company expects to draw upon this facility to help fund its 1998 capital expenditures.

CAPITALIZATION

Ionic's capitalization at December 31, 1997 cannot be calculated as the amalgamation with Ionic Ventures Inc. occurred effective January 1, 1998 and shares began trading on January 6, 1998. For illustrative purposes only, the market price at March 31, 1998 is utilized. Outstanding shares used in the calculation are as at January 1, 1998, being the quantity used on a post amalgamation basis. All other valuations are as at December 31, 1997.

Capitalization *($, except per share)*

Common shares outstanding	
– January 1, 1998	15,001,487
Closing market price	
– March 31, 1998	1.40
Market value of common shares	21,002,081
Provision for future site restoration	11,790
Total capitalization	21,013,871

INDUSTRY RISKS

Ionic operates in an industry subject to many significant risks such as commodity price swings, safety and environmental issues, changes in regulatory and tax regimes, oil and gas exploration, and reservoir performance uncertainties.

As a gas weighted producer, our exposure to cyclical swings in the price of crude oil is reduced. Ionic will maintain a balance between its two primary product streams, natural gas and crude oil. Current production averages approximately seventy percent gas and thirty percent oil and liquids, on a barrels equivalent basis. The Company also manages commodity price risk by entering into short-term contracts for natural gas production.

Ionic's operations are subject to all of the inherent risks found in the exploration and development of oil and natural gas assets. These risks are minimized by Ionic's technical team focusing on core areas where they are knowledgeable and experienced combined with the high incidence of multi zones found in many wells in the areas of interest. Technological tools such as conventional and three dimensional seismic are regularly utilized to assist reduce risk and increase the probability of success.

YEAR 2000

As the turn of the century quickly approaches, the business community is being forced to closely examine the impact on each organization that the year 2000 will have on any and all computer influencing components and systems. Ionic is in the preliminary stages of assessing this impact.

Once this review process is completed, Ionic will be in a position to more fully determine the consequences of non-compliance. Critical to the ability of Ionic and all industry participants to meet the Jan 1, 2000 deadline is the ability of suppliers and other parties to do the same.

ENVIRONMENTAL AND SAFETY ISSUES

The field operating practices of Ionic focus on ensuring all company procedures comply with industry accepted and recognized procedures to ensure environmental and safety risks are minimized. We have created and maintain an Emergency Response Plan that provides a framework for the handling of safety and environmental issues. This policy focuses on ensuring all actions the corporation takes are well planned and administered to ensure risks to personal and public safety and the environment are minimized.

BUSINESS OUTLOOK

We look to 1998 as the beginning of a phase of significant growth for Ionic. Daily production rates are anticipated to reach over 1,050 boe/d, an eighty-six percent increase compared to the 565 boe/d generated during the last five months of 1997.

Utilizing average corporate sales prices for natural gas of $1.65 per mcf and $18.75 per bbl for crude oil and natural gas liquids, we forecast 1998 cash flow from operations to be approximately $2.7 million ($0.16 per share) and net earnings to be $0.3 million ($0.02 per share).

Cash Flow Sensitivities

Change in ($) :	Total	/share
Natural gas price ($0.10/mcf)	181,000	0.01
West Texas Intermediate crude oil price (US $1.00/bbl)	162,000	0.01
U.S./Cdn. exchange rate (US $0.01)	40,000	–
Bank prime interest rate (1%)	27,000	–

MANAGEMENT'S REPORT

TO THE SHAREHOLDERS OF IONIC ENERGY INC.

The accompanying financial statements and all the other information in this Annual Report are the responsibility of the management of Ionic. The section entitled "Management's Discussion and Analysis" reflects the opinions of management of the current and future trends within the oil and gas industry and the impact these may have on Ionic, both today and in the future.

The financial statements have been prepared by management in accordance with those accounting principles generally accepted in Canada. The Company's systems of internal control have been created and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently well maintained to provide relevant, timely and reliable information to management and to allow preparation of financial statements in accordance with the Company's accounting policies. Certain estimates are made by management in the preparation of the financial statements. In management's opinion, the financial statements have been prepared within reasonable limits of materiality and within a framework of the significant accounting policies summarized in the notes to the financial statements.

KPMG, an independent firm of chartered accountants, have been appointed by the shareholders to examine the financial statements and to report to the shareholders. The Audit Committee, consisting of a majority of non-management directors, met with KPMG and with management to discuss the overall scope of the audit and to review the financial statements. The Audit Committee have reported its findings to the Board of Directors, who have approved the financial statements.

Joan E. McCreight

Joan E. McCreight
Vice President Finance, and Chief Financial Officer
March 18, 1998

AUDITORS' REPORT

TO THE SHAREHOLDERS OF IONIC ENERGY INC.

We have audited the balance sheet of Ionic Energy Inc. as at December 31, 1997 and the statements of operations and retained earnings and changes in financial position for the five month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and the results of its operations and the changes in its financial position for the five month period then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants
Calgary, Canada
March 9, 1998

BALANCE SHEET

December 31,		**1997**
ASSETS		
Current assets:		
Cash		$ 2,431,852
Accounts receivable and other		935,306
		3,367,158
Notes receivable	*(note 2)*	220,000
Petroleum and natural gas properties	*(note 3)*	11,172,977
		$ 14,760,135
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities		$ 1,711,555
Accumulated provision for future site restoration		11,790
Shareholders' equity:		
Capital	*(note 6)*	12,861,088
Retained earnings		175,702
		13,036,790
Commitments	*(note 7)*	
Subsequent event	*(note 8)*	
		$ 14,760,135

See accompanying notes to financial statements.

Approved by the Board:

William De Jong — Director

James M. Saunders — Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Five months ended December 31,		**1997**
Revenues:		
Oil and gas		$ 1,712,852
Royalties, net of ARTC of $109,986		(332,893)
		1,379,959
Expenses:		
Operating		391,945
General and administrative		150,035
Interest		66,070
Depletion and depreciation		460,586
		1,068,636
Earnings before income taxes		311,323
Income taxes:		
Large corporations tax		7,621
Deferred	*(note 5)*	128,000
		135,621
Net earnings being retained earnings at end of period		$ 175,702

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Five months ended December 31,	**1997**
Cash provided by (used in):	
Operating activities:	
Net earnings	$ 175,702
Add (deduct):	
Items not affecting cash:	
Depletion and depreciation	460,586
Deferred income taxes	128,000
Funds from operations	764,288
Net change in non-cash working capital	286,196
	1,050,484
Financing activities:	
Capital	12,735,088
Issuance of note receivable	(220,000)
	12,515,088
Investing activities:	
Petroleum and natural gas properties	(11,621,775)
Change in non-cash working capital	490,055
	(11,151,720)
Increase in cash and cash at end of period	$ 2,451,852

See accompanying notes to financial statements.

Five months ended December 31, 1997

Ionic Energy Inc. (the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on June 27, 1997 as 745172 Alberta Ltd. and subsequently changed its name to Ionic Energy Inc. The Company's principal business activity is exploration, development and production of oil and natural gas in Western Canada. Commercial operations of the Company commenced August 1, 1997.

1. SIGNIFICANT ACCOUNTING POLICIES:

(A) PETROLEUM AND NATURAL GAS OPERATIONS:

Capitalized costs:

The Company follows the full cost method of accounting whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of both productive and unproductive drilling and production equipment, net of government grants. Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would result in a significant change in the rate of depletion.

Depletion and depreciation:

The accumulated costs in a cost centre from which there is production, less the costs of acquisition of unproved properties, are depleted and depreciated using the composite unit of production method based on total estimated proved reserves before royalties as determined by independent consultants. Natural gas reserves and production are converted into equivalent barrels of oil based upon the estimated relative energy content. The accumulated cost base includes total capitalized costs plus estimated future development costs less estimated future salvage values

The costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion.

Other assets consisting of furniture and office equipment are depreciated at rates varying between 5 and 30 percent on a declining balance basis.

Ceiling test:

The net carrying cost of the Company's petroleum and natural gas properties in a cost centre is limited to an estimated recoverable amount being the aggregate of future net revenues from proved reserves, less future capital costs and the costs of undeveloped properties, net of impairment allowances. The total net carrying costs of all cost centers is further limited by the above estimated recoverable amount less future general and administrative costs, future site restoration and abandonment costs, financing costs and income taxes.

Joint ventures:

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(B) FUTURE SITE RESTORATION AND ABANDONMENT COSTS:

Estimated future site restoration and abandonment costs are provided for using the unit of production method based on total proved reserves before royalties. Costs are estimated by the Company's engineers based on current regulations, costs, technologies and industry standards. The charge is included in depletion and depreciation in the calculation of net earnings, and removal and site restoration expenditures will be charged to the accumulated provision as incurred.

(c) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as petroleum and natural gas properties, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Financial instruments:

The carrying value of the accounts receivable, notes receivable, and accounts payable approximate the fair value.

2. NOTES RECEIVABLE:

Notes receivable, in the amount of $220,000 from the founding shareholders of the Company, are unsecured, non-interest bearing and are due on June 27, 1999.

3. PETROLEUM AND NATURAL GAS PROPERTIES:

Costs in the amount of $3,865,130 with respect to unproved properties have been excluded from the calculation of depletion. As at December 31, 1997, the estimated future site restoration costs to be accrued over the remaining proven reserves are estimated to be $434,737.

During the five months ended December 31, 1997, the Company capitalized indirect exploration overhead in the amount of $184,814.

December 31, 1997	
Petroleum and natural gas rights including exploration and development thereon	$ 8,950,665
Production equipment and facilities	2,255,288
Other	415,820
	11,621,773
Accumulated depletion and depreciation	(448,796)
	$ 11,172,977

(a) The Company purchased all of the Canadian oil and gas assets of Profco Resources Ltd. for cash consideration of $5,427,566. The acquisition was accounted for as a purchase and accordingly, the results of operations are included commencing with commercial operations of the Company on August 1, 1997.

(b) The Company entered into a farm-in agreement for the acquisition of undeveloped land and access to a seismic database for $2,290,972. Consideration was $1,145,486 cash and 1,145,486 Special Warrants "A" of the Company at an ascribed value of $1,145,486.

(c) Effective August 1, 1997, the Company acquired a petroleum and natural gas property for cash consideration of $1,735,000.

4. LONG TERM DEBT:

The Company has a demand revolving credit facility of $2,500,000 with a Canadian chartered bank. The facility stipulates borrowings are at the banks' prime lending rate plus one quarter percent, with no fixed terms of repayment, and is subject to review from time to time. Security is provided by a fixed and floating charge debenture of $15,000,000 over all of the assets of the Company.

Subsequent to year-end, the facility was increased, subject to certain conditions, to $5,000,000. The security, interest rate, and terms of the facility were unchanged.

5. DEFERRED INCOME TAXES:

The income tax provision differs from the result which would be obtained by applying the Company's corporate income tax rate to earnings before income taxes. The corporate income tax rate reflects the entitlement to a portion of the small business deduction in 1997. The difference results from the following:

Tax rate	44.62 %
Expected tax provision	$ 138,912
Utilization of small business deduction	(12,813)
Non deductible crown payments, net of royalty credits	89,065
Resource allowance	(96,837)
Other	9,673
Income tax provision	$ 128,000

6. CAPITAL:

(A) AUTHORIZED:

Unlimited number of common shares.

(B) ISSUED:

	Number	Amount
Shares issued pursuant to the initial incorporation of the Company	1,100,001	$ 220,001
Exercise of Special Warrants "A" for cash	5,710,000	5,710,000
Exercise of Special Warrants "B" for cash	6,000,000	6,000,000
Acquisition of undeveloped land for Special Warrants "A"	1,145,486	1,145,486
Share issue costs, net of deferred taxes of $128,000	–	(214,399)
Balance, December 31, 1997	13,955,487	$ 12,861,088

(C) SPECIAL WARRANTS:

During the five months ended December 31, 1997, the Company issued 5,710,000 Special Warrants "A" for aggregate gross proceeds of $5,710,000 pursuant to a private placement. Each Special Warrant "A" entitled the holder to acquire one common share of the Company for no additional consideration.

During the five months ended December 31, 1997, the Company issued 6,000,000 Special Warrants "B" for aggregate gross proceeds of $6,000,000 before deducting the agents' commission and other costs totaling $214,399, net of deferred taxes of $128,000. Each Special Warrant "B" entitled the holder to acquire one common share of the Company for no additional consideration.

(D) OPTIONS:

As at December 31, 1997, the Company granted 1,415,000 options pursuant to its Stock Option Plan. The options have an exercise price of $1.00, and expire on various dates between July 22, 2001 and October 13, 2001. The Incentive Stock Option Plan provides for up to an aggregate of 10 percent of the issued and outstanding shares of the amalgamated Company (see note 8) to be made available for the granting of options to officers, directors and key employees.

(E) EARNINGS PER SHARE:

Earnings per share of $0.02 per share has been calculated including the effect of the issue of Special Warrants "A" and "B" from their date of issue. Utilizing this method, the weighted average number of shares is 9,482,548.

7. COMMITMENTS:

The Company has operating lease commitments for office space and equipment as follows:

1998	$ 135,075
1999	149,748
2000	125,084
2001	131,501
2002	132,084
	$ 673,492

Under the terms of the Enerplus farm-in agreement, the Company is committed to spend $500,000 on seismic and drill two exploratory wells by March 31, 1998. The vendor has the option to acquire 50 percent of the Company's interest in any well drilled on the lands in exchange for paying its share of the associated costs.

8. SUBSEQUENT EVENT:

On January 1, 1998, Ionic Ventures Inc. ("Ventures") acquired, by way of a reverse take-over, all of the issued and outstanding shares of the Company. Subsequent, the Company and Ventures were amalgamated and the shareholders of each company received one common share of the amalgamated company for each common share outstanding. Immediately following the amalgamation, 15,001,487 common shares of Ionic Energy Inc. were issued and outstanding. The amalgamated company continued the operations and name of Ionic Energy Inc.

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LEGAL COUNSEL

BURNET DUCKWORTH & PALMER

1400, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9

AUDITORS

KPMG

1200, 205 - 5th Avenue S.W.
Calgary, Alberta T2P 4B9

BANKERS

BANK OF MONTREAL

340 - 7th Avenue S.W.
Calgary, Alberta T2P 0X4

EVALUATION ENGINEERS

OUTTRIM SZABO ASSOCIATES LTD.

1430, 311 - 6th Avenue S.W.
Calgary, Alberta T2P 3H2

TRANSFER AGENT

MONTREAL TRUST

600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

STOCK EXCHANGE LISTING

THE ALBERTA STOCK EXCHANGE

Trading Symbol – **IOI**

BOARD OF DIRECTORS

WILLIAM DEJONG *

Calgary, Alberta
Ballem MacInnes
Partner

BRIAN W. LAWRENCE

Carson City,
Nevada
Independent Businessman

JAMES M. SAUNDERS *

Calgary, Alberta
Ionic Energy Inc.
President
& Chief Executive Officer

MARCEL TREMBLAY *

Calgary, Alberta
The Enerplus Group of Companies
Chairman, President
& Chief Executive Officer

** Member of Audit Committee*

CORPORATE SECRETARY

Gary Bugeaud
(Burnet Duckworth & Palmer)

ABBREVIATIONS

m	*thousands*
mm	*millions*
mcf	*thousands of cubic feet*
mmcf	*millions of cubic feet*
mmcf/d	*millions of cubic feet per day*
bcf	*billions of cubic feet*
bbls	*barrels of oil and/or gas liquids*
bbls/d	*barrels per day*
boe	*barrels of oil equivalent (10 mcf of gas equals 1 bbl of oil)*
mboe	*thousands of barrels*
boe/d	*barrels per day*
mbbls	*thousands of barrels*
stb	*stock tank barrels*
mstb	*thousands of stock tank barrels*

EMPLOYEES

BRENDAN CARRIGY

Senior Geologist

HUGH CLARK

Manager of Engineering

BRUCE GWALKO

Senior Geophysist

JOAN E. MCCREIGHT

Vice President, Finance
& Chief Financial Officer

HEATHER MCNEIL

Office Manager

BRUCE ROBERTSON

Vice President,
Land & Contracts

JAMES M. SAUNDERS

President
& Chief Executive Officer

GORDON J. YEO

Vice President, Exploration

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